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SCIENCE OF VALUE

A CASH MARKET

by HENRY RAWIE

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CHAPTER I

LIGHT

A LONG time ago, in far away China, a magician, disguised as a beggar, went about the streets of the city crying "old lamps for new, old lamps for new, who will trade an old lamp for a new one?"

The people who heard him, said "Who does this fool think we are, to be so easily taken in by his cry 'old lamps for new' no one could afford to do that, he must be a cheat." The disguised magician came to the palace of Aladdin, who was in the country hunting. You will remember Aladdin was the shiftless and lazy son of a poor tailor Mustapha, who became possessed of a magic ring, and calling up the genie of the ring was given an old lamp. This lamp had the power to grant every wish of Aladdin that money would buy, and he soon became the most important man in the city, married the princess and lived in a palace.

When the old magician came to the court yard of the palace, and the princess being told he was offering to trade new lamps for old ones, she gave him Aladdin's wonderful old lamp for a new one, and then the magician was able to take the palace and princess from the city before Aladdin returned from the hunt. But Aladdin having the magic ring called up the genie of the ring and discovered where his princess and his palace had been taken, and was soon in possession of his lamp, his palace and his princess again.

I am going about the highways and byways of the city to again test the people, who have old lamps crying "new lamps for old, who will trade an old lamp for a new one?" This new lamp has the magic power to grant every wish money can sat-

isfy, but the lamp is also controlled by the genie of a magic ring.

The genie of the magic ring has power over a great sum of money, billions of dollars, not in use, and it is this money the new lamp will supply to gratify your every wish; it is not money now in use, but is new money to do new buying that only the cash market can bring to you.

I have no use for the old lamps. I only wish the people to discard them and see the light from the new one, and let the old ones go below to the melting pot where they may suffer for the sin of so long keeping the world in darkness respecting this wonderful amount of new money.

The new lamp is called A Cash Market. You make your wish for what the market can supply and rub the lamp in the right way as Aladdin was required to do. The money will appear to grant your wish, as with Aladdin.

The first instruction to go with each lamp is to rub it in the right way, and by so doing, wipe out all the debts upon property, billions and billions of dollars of them. As soon as these debts disappear the genie of the magic ring will come, bringing the money that debts have held out of use and promise to return in the future.

The wise men who will not trade the old lamps for the new ones will say: "We have heard this same talk about returning the billions of dollars, debt has taken, getting this money the same as cash is all bosh. This lamp will call up an evil genie who will repudiate our debts, and make us forget our solemn obligations."

By no manner or means will debts be repudiated; the creditor is not to lose a penny. On the contrary he is to be paid on the nail, and that is where we get advantage of him—by being able to pay on demand. The new lamp will enable every property to secure its value in money and pay its debts. The creditor will not want his money when he finds that it can be had on demand, but will gladly take a better security than the one he now holds. Each and every property will be worth

its value in money because each will be required to insure this value, and all working together will supply the money to pay as fast as it will be called for. This insurance of the value of the property will be based upon its income, which means upon its time to live, the same as life insurance, and the money will be paid the same as bank deposits are paid, by having a reserve set aside for this insurance fund.

To thus insure over a hundred billion dollars' worth of property, means that the value of land must be cut out because such value cannot be insured, and it is only necessary to make a very simple change in the book keeping of banks to supply the required reserves.

The deposit accounts of banks will merely change from one side of the bank ledger to the other side. One-third of the total deposits will only be required to make this change. All other deposits will be released to increase the general circulation of money. This reserve being used to convert the value of property into money on demand.

The whole stock of money in the United States consists of about three and a half billion dollars in cash, and more than eighteen billion dollars in bank credit, payable in cash on demand. This deposit money is supposed to supply an unlimited elasticity to the currency by which all possible demands from the market will be supplied, and every sale may have a margin of profit.

To be thus able to use five times as much credit money as we have cash it has been necessary to set aside one half the cash to pay this credit on demand, and when we fail to get the benefit of credit in an elastic currency we also lose the use of half the total cash.

For reasons, to be hereafter explained, the elasticity of bank deposit credit—by which it performs all the work of cash—has become a total failure so far as supplying capital with its money is concerned. We only use about four billion out of a total of eighteen billion, and this four billion must be cancelled

in cash as fast as it is being used, and becomes a substitute for the cash held in reserve.

We have an enormous total of more than a hundred billion dollars worth of capital that should be liquid, exchangeable for money on demand, and the failure to make this capital liquid forces it to depend upon a speculative market when it seeks to sell, and makes it subject to violent changes in its price from which enormous fortunes have been taken.

The lack of an elastic currency, for the benefit of the security market, makes the innocent suffer with the guilty in creating fraudulent capital, and a fall in prices occurs when these frauds must be liquidated. All prices suffer as a result, and wealth concentrates to a small creditor class who buy in bankrupt property at half its true value.

The next question is—Can banks spare six billion dollars from the investment side of their accounts and transfer the deposits to the reserve side? We must remember, in this connection, that a cash market is the only market nature permits, and that bankers as well as all others finally depend upon the extent of the market, and this plan greatly extends the cash market for the general benefit.

If the general market is to be so extended, that it will be able to sell all that labor can send, and sell it at a profitable price, the billions of dollars now idle and invested by banks as capital must become liquid and instead of representing only six billion dollars in capital must make a hundred billion dollars worth payable on demand, and instead of all capital being deprived of its natural market, it then can be sold on demand at a standard price determined for it by its own rate of interest or dividend.

That capital may sell for its value in money on demand each corporation must set aside a bank reserve equal to one year's rate of interest on its whole issue of securities outstanding, this reserve will then create a market for its own securities in buying and selling them. The great gain to capital will come

by allowing it to do its own financing, to be able to sell its own securities by competing with banks on equal terms for the money of depositors, paying the security on demand the same as the bank promises to pay its deposits on demand.

Each corporation will be required to call in and cancel its polyglot assortment of cat and dog securities, and replace them with a new issue in which there is no underground or concealed passages to defraud the public, and the only limit to the quantity of securities will be the amount the company can maintain on a cash basis. The reserve to protect capital will be in the hands of a trustee, who will redeem the securities to the extent of the reserve, and as fast as he redeems them will again sell to the public to replenish the reserve, thus making a market for securities, and taking the market from present stock exchanges. All changes in price will then be abolished and there need be no exchange in which to make prices.

When the demand for money in redeeming securities exceeds the supply, and the trustee can not sell as fast as he must redeem, the capital of such corporation will be thus reduced automatically until it meets its demand, and the corporation must make good its reserve at the expense of its dividends.

On the other hand, if the corporation is accumulating a surplus, which it does not need for its own development, it may automatically increase its capital to the full amount it can sustain in a cash market by paying stock dividends.

This first glimmer of light from the new lamp, being an unaccustomed light, may appear a bit hazy, but other rays will be forthcoming to illuminate this part of the subject as well as other parts connected with it. Remember the magic lamp and the magic ring is to make a mere change of debts into credits payable on demand, to merely change the accounts on the books of banks so that one-third of the total deposits will change from being invested as capital into a reserve that will make all capital payable in money on demand.

A cash market means a market in which no unsold goods

will accumulate because no buyers may be found at a profitable price, not only will this market take up present supplies, but it will take all that labor and capital can send, at the same margin of profit.

This margin of profit is expected to create such a demand for labor to produce the goods and capital as to send wages to the highest point the market can pay, which point will be reached when wages equal the selling price of its product and includes the money taken from labor in profit.

This is, beyond doubt an unheard of market, a very Aladdin's market, where everything will be sold at a profit except property in land, which can not maintain a price payable in money. The money now spent for land and the debts that have kept this money out of circulation will then be used to buy the surplus of labor and capital.

It will be a very remarkable market, without competition between laborers reducing wages, and without competition between sellers reducing the standard rate of profit—a market in which the greatest anxiety will be found in getting labor to increase the supply that may always bring its profit, with no cost of land to pay, money will accumulate so fast from profits that every one will have plenty of it, and nothing to spend it for but the products of labor and capital.

Such a market means an enormous increase in spending money in the hands of about forty million laborers, and will advance the wage rate from the present lowest level that the least amount of money in the market will pay, ten dollars a week, to the highest level the most amount of money can pay, forty dollars a week.

The cash market will have no trouble in maintaining the high wage rate for we already know that the higher wages go the easier they are to pay on account of the increase in profit money they carry, and we know that wage money circulates very rapidly, turning over six times a year. If you would see how easily bank deposit money may give rise to an elastic

currency—employing labor, and building up an industry—the rapid development of the automobile business will supply the most fitting example. This business absorbed about five hundred million dollars of new capital in about ten years, by using bank deposits and converting them into cash in building factories, buying material and employing labor.

An automobile is a form of capital rather than a consumable commodity, altho it is rapidly consumed. Being a form of capital, its money must come from sales to owners of bank deposits rather than from sales of cash paid to labor. By selling machines to owners of bank deposits the currency became so elastic as to not only supply this business with all the money it could use, but it developed new profits that more than replaced the deposits, besides building up the new business as a total gain.

The cash market will extend this process of making an elastic currency by adding about thirty million new bank accounts to the present supply, giving to each laborer a surplus he need not spend for his living, allowing him to become a bank depositor. The old lamps I am most anxious to get out of the way by trading new ones for them, are lamps that put this money question in the gloom, by claiming that the supply of money in banks has nothing to do with the employment of labor, or with the increase in wealth, while the truth is clear that money has everything to do with success in business, and profit money is most vital to every undertaking. The real issue is between Cause and Effect. Our failure in solving social problems comes wholly from treating effect as cause.

CHAPTER II

THE QUANTITY OF MONEY

IF money is the Cause of activity in business the quantity of it becomes very important, and if the amount of business we may do is limited by having a cash market, the greater this market the greater must be the quantity of money, in circulation. In taking up this very complicated question of quantity we will limit it at first to the quantity in the commodity market where we do practically a cash business, and where we may easily see the amount of money we use and find it to be about sixty million dollars a day, and for the time forget that we should be using a like sum each day in the security market.

We pay out in wages of every description each day the sum of sixty million dollars, and we collect the same amount every day from the expenses of laborers and their families. This is the limit in quantity of cash, it carries profits, but these profits are also paid in wages so that this one sum includes all the actual money in use. We do circulate other money in buying or making exchanges between property owners, selling one property to buy another to adjust values to changing conditions, but this does not add to or take from the total quantity.

The sum of sixty million dollars paid in wages each day, must be balanced by collecting sixty million dollars the same day from consumers of every kind so the supply will balance the demand. We use the same money over and over again, and there is little trouble in following this circulation, while the trouble of following the circulation of credit is much more complicated.

A child should be able to see that we have no unlimited source of money to draw from, and are compelled to use the same cash over and over again. This limit in the quantity fixes an absolute limit in the amount of business if we have no elastic currency to increase the limit.

Let the ones who claim the quantity of money has nothing to do with our ability to employ labor or sell goods, consider the effect of reducing the total quantity of more than three billion dollars to the sum of sixty million we use each day, for, if we collect as much each day as we pay each day, why do we need more than one day's supply? Here is the point calling for new light.

We cannot get along with only one day's supply of cash on account of the different paths which the money takes after it is paid to labor, and when it returns from the consumer, each day's supply paid to labor must travel to the far ends of the earth and return before it may be used over again, and, while it is making this journey, we must have a quantity to draw upon day after day, until the first day's supply returns, that quantity will then allow us to collect the same amount every day by having a dollar in store at any place we need to pay a dollar in wages, and at any place we can sell a dollar's worth of goods.

If our supply was limited to the wages of one day only, it must have sixty days to return and only one million of the sixty would return each day and goods could only be sold to this amount, the owners of goods would then be compelled to return to barter where each man carried his own stock and took it bodily to a central market where it was traded bodily with another man.

But when a supply of money is being paid out, while stocks of goods are accumulating, the value of the goods, and the wages of the labor producing them is being carried by the quantity of money with benefit to all and at no cost. The employer of labor can pay from this stock of money before he sells

the goods, and the merchant can sell his stock from the same supply before paying for it.

Being able to pay spot cash comes from having a stock of money on hand that balances the wages of labor paid for producing it. This is what limits the market to a cash basis. We can have no greater market than the wages of labor, and if the elasticity of money will not increase wages beyond this cash supply, our cash market will be limited by it, and all buying, not done with cash, must create debts.

The distribution of money throughout the body politic, along with the distribution of goods by which money and goods are instantly converted into each other, is the same as the distribution of living corpuscles throughout the blood by which every part of the body is nourished. We daily manufacture the supply of blood from the food just as we daily manufacture the commodity supply, and like commodities the blood goes to the heart and is then sent to all parts of the body to be consumed. The living corpuscles in the blood do the work of laborers who have money to spend, for it is these workers in the blood who apportion it to each part of our bodies.

This quantity of blood, and of living corpuscles with which it is filled, is like the stores of goods on hand combined with the quantity of money to balance goods, so as to make instant exchanges. We cannot depend on a supply of blood to only fill the heart because we only need a heart full to pump at any one pulsation, so we must have on hand more than one day's supply of goods and money.

The supply of blood the heart pumps into the arteries at one pulsation, and the supply the heart exhausts from the veins at the same pulsation, depends upon having the veins and arteries full of blood, and upon a new supply being manufactured every day from the stomach to replace the amount consumed, the same being true with goods and building material.

The food taken into the stomach is being rapidly digested, which only means to us that it is being converted into a liquid

from which the living workers, in the arteries surrounding the digestive tract, manufacture our blood. The digestive tract containing this liquid blood food is walled off from the channels in which the blood circulates so that no part of this digested food, not intended for blood, shall get into the system, but must pass out in the sewer of the body. Surrounding the walls of this digestive tract will be found a fine network of blood vessels from which the corpuscles are at work manufacturing blood which then goes to the heart to be pumped into its channels in the body.

After the supply of blood reaches the heart it has a long way to travel, leaving the heart in great channels which grow more numerous as they subdivide, finally branching out into millions of hair like tubes on the surface of the body. At this limit, in the outward journey, the tiny network of arteries is exactly balanced by similar network of veins into which it discharges its blood on its return to the heart.

The living corpuscles in the blood are like the living laborers who have money to spend, and are profitably employed. These laborers make up the whole activity of the body politic the same as the corpuscles in the blood and tissues make up the whole activity of our life.

The fact that the government may arbitrarily coin the primary money, and must so coin it to establish equal units of value in dollars, dimes and cents, makes such money appear to be artificial when, in fact, it is a natural evolution and controls all process of production and trade. The government has no power over the value of money itself, and no real power over its quantity which is determined by the cost of labor, no power over its circulation, nor over its functions in making prices and wages, which rise and fall according to natural laws. As limited as is this power of coinage, the government has even less power over credit money, the functions of which are more important than cash; for credit supplies the business of the world with five times as much money as cash, and without it

profits could not arise and business must perish. To make the distinction clear between coinage and credit—suppose we begin with no money and coin sixty million dollars a day to pay the prevailing rate of wages of every description? After the first sixty million dollars gets into the hands of labor it will scatter all over the world, and we must keep on coining money at this rate, if we would continue to employ labor, until we saturate the demand for cash. At the end of about sixty days we will find the demand for cash saturated, all its channels will be filled, sixty million dollars will then be spent each day to supply the wage money for the next day, and coinage will stop and wages will have fixed the limit in quantity at a certain level of prices for goods. It will then be evident that the cost of labor has fixed the quantity of money, and that the total wages spent for goods will also fix the level of prices for goods, or as much as is so spent will fix the price level, but the cost of these goods will fall below this level for the reason that only about half the quantity of money was paid to produce goods.

But there is an important difference between fixing the quantity of money and fixing its value. The cost of labor does not fix the value of money which may seem queer, but is true nevertheless and quite simple. The value of money is determined by the equal relation between the wages of labor and prices of its products. This relation is only to be secured in a cash market where wages will buy its entire product at the market price. The value of money depends upon an equal demand and supply of money, the supply being paid out as wages and the demand coming from the sale of the labor product. But how can this be interfered with? How can there be a greater demand for money by the sale of products than the supply of money paid to labor to produce them? The demand may include a profit above the total sum paid in wages, products selling for more money than was paid as cost. But where is this extra money to come from? It comes temporarily from money earned by the labor of the past, and is supplied to pay

this difference between demand and supply but is then charged up to labor as a debt on account of labor's failure to receive wages that buys back its own product.

Suppose that in newly coining a supply of cash we have been paying out new money for sixty days and have a quantity on hand of sixty times sixty million dollars, which, however, is balanced by stocks of goods on hand not all sold during this period, we have these stocks on hand and a market level of prices and wages depending upon sales of sixty million dollars a day. Now instead of a supply that fills all the channels, suppose we reduce the total to only the sixty million we spend and collect in one day, and cancel all other money? The result would be that this sixty million requiring sixty days to complete its journey would only return one million each day instead of sixty, and fifty nine million dollars' worth of goods could not be sold unless it was on credit, waiting for money to come in. All production would then adjust itself to the million a day market instead of the sixty million a day, and of course in such case a revolution must result, and a government so stupid would perish from the earth. This may seem absurd; if business must adjust itself to the quantity of money, may it not be true that we should be doing as much business as labor and capital may supply? And is it not true that our failure to do a business of two hundred million dollars a day instead of sixty may be found in the low wages we pay and collect from labor, and the fact that such wages will not buy all the product labor can send to market?

When the market has a surplus of goods that can not be sold at the price level prevailing, the practice is to sell on credit and thus prevent a decline in prices, adjusting the market to the short supply of money. These debts only mean the hope of getting this extra money by increasing its time of returning, which turns out to be a vain hope. The debts, that are being contracted to fill a gap in a short supply of cash, arise from the fact that nature demands a settlement with labor in a cash

market, and to make this settlement on a cash basis she carries all unsettled claims in suspense by having them carried by a quantity of money. Goods are all expected to move and be settled for by the time new goods from a new circulation of money takes their places on the shelves of the merchant or on farms. When we contract debts in the commodity market we soon discover the law demanding a settlement of cash about every sixty days and find that goods not paid for generally represent lost money, but in the property market where credit money controls the situation there is a vast difference in creating debts.

The money paid out for labor and material in building, may not return to the builder from rents until after fifteen or twenty years, and on account of this slow return the cash settlement with labor, for the buildings it keeps sending to market every year, may be indefinitely postponed, and then wages can not buy these buildings in a cash market. Debts may increase in the property market until each and every income property has been encumbered with all the debt it can carry, and these debts will then represent the money labor failed to get as wages, which debts had to be created to fill the gap in the short supply of money when the demand for the sale of buildings could find no money in the hands of labor to buy them. Debts keep on increasing in the property market until they represent half the value of all accumulated wealth and also represent the share of that wealth which should have been paid to labor in wages but which was denied to labor in the circulation of money. We keep on accumulating debts upon new wealth as long as such debts do not seriously interfere with the commodity market, and if we will realize that property debts fill up the vacancy made by the cost of land in its demand upon money, this interference with the commodity market will not be hard to find.

The difference between the supply and demand for money, filled in by debts, is the difference between the cost price of that property and a selling price fixed by its income owing to some advantage of its location. The cost of land keeps rising until

it takes all the profit in the selling price by making the total cost equal the total selling price, and destroys all profit in building. The whole superstructure of capital falls because the labor upon which it depends for its income in buying goods is out of employment and new buildings cannot be rented or sold. If we had the elasticity of credit currency, supplied by the profit from building in addition to the cash supplied by the value of goods, the quantity of money paid to labor would always balance the demand from products of labor. Capital would then be putting as much money into use as it was taking from circulation, each building would then supply the money to wages it was collecting by its income, and an overproduction of buildings would not be possible.

When we considered the circulation of blood from the heart into its arteries, and the return of this blood to the heart from the veins, we were only taking into account the primary system of circulation in the body, and neglecting an equally important circulation in the cell structure of bone, muscle, nerve and tissue. The primary system in the veins and arteries is walled off from this secondary system like the fluid in the digestive tract is walled off from the same system, and only such blood as each organ or part of the body demands is allowed to pass through the walls of the arteries or veins. The primary system of blood in the arteries and veins is surrounded by a secondary system, by a fluid called lymph that does the work of blood for the building up and tearing down of the cell structure of the body, which work is accomplished by the living corpuscles in the lymph and in the billions of separate cells. Our principal cities are like the main organs of the body, the lungs, the heart, the liver, and kidneys, and the market all over the world performs a function like that of the heart. The building up and tearing down of the solid structure of our bodies is going on all the time by the work of a multitude of corpuscles, every cell decays and becomes a new cell, and every drop of blood is consumed and its place taken by a new drop. We may guess, with

confidence, that this renewal of the blood is counted in hours or days when compared with years for the replacement of the whole bodily structure.

This brings us, by way of illustration, to the secondary system of the body politic—the renewal of the food and consumable material being counted in days, while rebuilding the entire wealth is counted in years, to the fact that capital demands its separate fluid currency and its separate circulation which must be given a longer period of time in making its settlement with the primary system. This illustration of the secondary system in the human body is used to call your attention to the fact that the diseases of our bodies are lodged in this secondary structure of muscle, bone, and nerve, or organ, that disease is a process by which one part of the body may contract a debt against the vitality of the whole body on account of some failure to supply that part with a balanced circulation. The diseases of our bodies become immediately dangerous to life when some interference in this secondary circulation is communicated to the primary blood and forces some of the living corpuscles from their accustomed work in the body.

In the body politic, it must be understood, its complaints of hard times, of unjust wealth and unemployed labor have their lodgement in the capital structure creating debts upon the whole vitality of society. These complaints become dangerous to the life of the body politic when they are communicated to the primary wage circulation and laborers are thrown out of their accustomed employments. The underpaid and unemployed labor of the body politic is the germ of disease, as in the human body, and the increase in numbers of the unemployed or underpaid, must in time prove as fatal to it as a deadly and incurable disease will in time destroy an individual life.

To carry on the illustration of the secondary system of the human body with that of the body politic, we find that the secondary credit circulation in the capital market is walled off from the primary cash circulation the same as in the body of an animal. Credit money is separated from cash by the walls of banks, by its local circulation, by having a different period of time to make a complete revolution in its quantity, and by having its own separate channels in which to move.

This may seem a long and difficult lesson to learn from the first light given out by the new lamp, and the reader may resent the idea of considering the laborer, with money to spend, in the light of a human corpuscle in the body politic, held to its task by the insistent demands of the body instead of working according to its own wants. You will be disposed to say that labor is godlike in its conscious power, and any man may rise superior to his social environment, and resist its evil influence. It is not to be denied that a few men are superior in conscious power, between rather narrow limits, and may resist evil influences around them, but to say that all men may rise superior to degrading poverty is the height of folly. Because one man may become a millionaire another man may also become a millionaire, and reasoning by false analogy all men may become millionaires, which reduces it to an absurdity.

Were it not for the fact that a man may become godlike in his conscious power to resist what he regards as evil, there would be no hope for the progress of the human race, and in time no doubt this godlike power will be increased and belong to every man. But to claim that any man may now become self-sufficient, rise superior to poverty and all its degrading influences, is like claiming a man may lift himself from the earth by pulling up on his boot straps, forgetting that the harder he pulls the harder his feet cling to the earth. The apparent success of the successful does not imply that every man may be equally successful, but on the contrary it implies that such partial gain makes it all the more difficult for the others to follow. In a condition of slavery any slave may secure freedom, but all slaves cannot become free men unless the system of slavery is abolished, and the same condition is true respecting the system of poverty that has endured since history was first written.

A short supply of money in use—not because the quantity is not in existence, but because it cannot get the profits upon which its circulation depends—creates all the ills and diseases from which the body politic suffers, and no relief is possible unless the cause of this disease is attacked and destroyed and unless the elasticity of the currency is made to respond to the accumulation of wealth.

Some interference between the primary circulation of cash and the secondary circulation of credit destroys the difference in price upon which all activity depends, and upon which all profit is based. This interference comes from injecting the value of land between the cost price and the selling price of capital, destroying any difference from which a profit may be secured in building. The complete interchange between cash and credit must come by restoring the higher market price for capital, come by preventing the cost of land from moving into this territory and taking up all profit by a rise in its price. This may be accomplished by abolishing debt in creating a cash market, for in such a market land cannot sustain its value in money. The present value of land must be then added to the cost of buildings and must advance the price of buildings to twice the cost, and restore the profit upon which all success in business depends.

In placing the equal demand and supply of money above every other consideration, as being the cause of all industrial and business activity, and the cause of all failure in business, all other theories of finance and political economy are set aside as having been built upon a false premise. No matter how logical a writer may reason from a false premise he can never arrive at a right conclusion, and this is the truth for every present theory; pretending to explain modern problems, they fail in explaining any of them, because they all proceed from a false premise upon the theory that labor is the cause of value, when in truth value is the cause of labor. It becomes necessary therefore—having a new theory, treating labor as an effect of value, and as an effect of the circulation of money, to look upon money in a new light, to see it as the most important factor in our civilization—the factor upon which every step in advance must depend—and to consider labor from an entirely new standpoint.

CHAPTER III

LABOR

IT is a difficult matter to bring the true standing of labor into the clear light, on account of the fact that its condition has always been a condition of virtual slavery, and low wages have continued for so long a time as to appear to be natural. In the whole scheme of the evolution of society labor is something apart from the individual who labors, no matter how intelligent he may be, and it is difficult to make this distinction clear. The laborer who is earning and spending money is an effect of the body politic, while the individual himself is the cause of all this activity and progress. The laborer is doing something which has been determined in advance he shall do for the benefit of the whole society, which in its turn is doing everything for the higher development of individual man. The laborer works unconsciously for the betterment of the whole human race, but no advance is intended to create a superman. All advance is intended to lift the whole race so that each individual may become a superman.

In performing labor and spending the money so received, each person is one among countless millions of human corpuscles who are born and who die in countless numbers, but the individual represents the mass man who is immortal and who does not die. Human labor, earning and spending money, is a force in the body politic like the life force in the human body, a single cell among countless millions of like cells, but the single individual is the ego of the whole body politic as the human being has its ego, aside from the activity of the living forces by which it moves and has its being.

The rise of the savage to the civil man was a rise depending

wholly on outside influences, and very little upon the savage himself, and this rule holds good today in the rise of the successful in civil life. The rise of the whole race depends upon the accumulation of wealth by which the mass of laborers gain upon subsistence and are released from the fear of want—wealth by which leisure is obtained so that many may devote their lives to the general welfare.

Accumulated wealth continues to be the chief reliance, not only for the successful individual, but for the race, and only as the whole people may be relieved from the struggle for existence will the race move forward. Labor becomes an effect instead of a cause by the introduction of money which takes its place as cause, separating labor from its means of life, and by denying to it any claim upon its products, and reducing its claim to a claim upon the money in use.

Labor is cut off from supplying its most simple wants by its own labor, and is compelled to work for money to buy the things it wants, and in this way labor is compelled to work for the benefit of others in order to secure benefits for itself, the use of money puts the good for all in advance of the good for any, if we have plenty of it.

When present theories treat labor as the cause of value and of money, they confine Cause to the living and active laborers, and omit all the labor of the past represented by accumulated wealth, failing in theory to consider the rights the living should have in the wealth which sells for money the living must earn.

The work of each individual is determined by the joy he receives from spending money, and the pleasure of this spending is the net nature spreads abroad to have work done according to her plan, and opposed by the selfish greed of the individual, but labor soon learns it can have more money to spend by following the plans of nature than following its own short sighted plans. The power that moves the people of the world is found in the delight every man, woman and child receives from spending money. The greatest modern advance has been made in this

direction by placing on woman the chief part of this delight, when but a few years ago, man done all the buying for his household. Unless each person gets the money to spend, which the laws of nature supply for him to spend, he loses his place and his function in the body politic, and will be cast aside as one of the unfit in the struggle upward, while at the same time he may be of the best texture in this complex life but not be getting the money provided for him.

When we see the whole existence of society depends upon the market having consumers, buyers for everything that labor and machinery may produce, we will see that working is an effect of spending, and when the spenders are being provided with money, working will take care of itself. When we see that spending is the great cause of industrial activity, all saving will be found in the accumulated wealth from the past and then we will see the importance of increasing the spending of more than thirty million of our common laborers.

CHAPTER IV

PRICES ABOVE COST

THE moment a rise in prices of goods is suggested it seems certain that every cent above cost must be a loss to all the people concerned, and cannot possibly become a benefit to labor, but as a matter of fact, wages cannot rise unless they do so from a previous rise of prices. Prices above cost are absolutely necessary if goods are to be sold to more consumers than there are producers of the same goods. If shoes are produced by machinery, and one laborer produces a hundred times as many pairs as he will buy, he must sell the surplus, and selling this surplus depends, not upon cheap production and low prices, as we are told it does, but wholly upon prices above cost.

There is no such thing as a cheap price, the thing that is important is not the cost, but is always the gain above this cost, and no matter how low this cost may be reduced, if the selling price is not above it the surplus can not find the money with which someone else can buy it. No matter how high the cost may be, if it will sell above this level it will stimulate business the same as at any lower cost, or more on account of the greater sums of money involved.

All activity in production and trade depends upon two different levels of price, no business is possible if the selling price and cost are at the same level, and as long as there is a gain it makes no difference how high the cost may rise on account of an increase in wages, or on account of profits paid to capital. The reason for this apparently impossible situation of selling all the time for more money than is paid in cost, arises from the fact that the advance in price supplies twice as much money as the money paid in cost. When prices of goods are

lifted above cost it is because you have two laborers buying the same goods that only one laborer was paid to produce, thus you have two dollars buying at twice the cost when you would only have one dollar buying if the price was cost. But, in selling at twice the cost and, in selling so much greater quantity, you can reduce the expense of sale so as to make a profit equal to the price above cost and thus add another dollar to the whole sum in circulation, giving three times as much money when goods sell at the standard price of twice the cost than if they try to sell at cost and fail.

It is hard to understand how money can increase prices of the things labor buys and at the same time increase wages, but when we see that profit money comes in as a new supply, it is only necessary to see that this profit becomes an ever increasing new demand for labor and in that case the greater the profit the greater must become the increase in wages. But if profit money is only used to exchange the cash that employs labor in building, and is then cancelled and fails to increase the demand for labor, it follows that profit is merely an instrument to inflate prices against labor, to force it to build capital for the benefit of its owners who get the profit from the sale of goods.

This secondary labor which does not produce its own goods, but must work at something else to get the money to buy goods and increases the price of goods above cost, would not be employed at this something else unless its labor produces something as valuable as the other half of labor, and this something is capital. The laws of nature intend this other labor shall have its wages paid by the money received from selling capital, and shall not become a burden upon the money received from the sale of goods. If the increase in price above cost stops with goods, and is not allowed to be carried over into the capital market, the wages of the labor producing capital need not be paid by the primary laborers who supply them with goods, and will be paid from the sale of the capital product they themselves send to market. Thus in selling goods produced by one

class of laborers and collecting all the cash that has been paid in wages to both classes, we seem to have no other real money but cash, and it seems as though capital must advance this extra cash and can only do so by having saved it in the past.

But, as a matter of fact, the advance comes from credit money that buys the goods and waits until they are sold to repay this credit and have a profit remaining equal to the wages of the secondary labor, and by exchanging this bank profit for cash this labor is forced to work for capital for nothing and has its wages charged up to primary labor in the price of goods at twice the cost. But this capital, which has so far been a profit to its owner, should be able to also sell for more than it cost, up to the point where capital is newly produced. There is no money in circulation with which to buy it, all money being confined to paying twice the cost of commodities, and a buyer for capital must secure the money from capital itself selling at an equal gain above cost, so as to create its own supply of credit money. In this process of selling goods at twice the cost the advantage of location will permit goods to be sold in such great quantity that a new claim arises from the profit and this profit is expected to equal the price above cost. Up to this point we find that half the total goods are being consumed by the living of all the laborers, who divide in two classes and divide wages into two parts. From this sale to all the laborers another sum in profits is taken that exactly equals half the total wages, or equals the wages of half the laborers, therefore we have three parts of money to balance two parts of the product of only half the total labor, but have the buildings the other half produced to account for.

Now return again to the whole commodity product, and you find it divides into four parts, one-half going to supply the material for rebuilding and new building of capital, one-fourth going to the laborers who are employed for the benefit of this capital, and one-fourth going directly to the primary laborers who produce the whole product. It should be clear that if the

cost of only one-fourth of this product takes up all the money primary labor was paid to produce all of it, the whole product must sell for four times this cost, and in following this sale we can only account for three times the cost,—one time in the wages of primary labor, another time in the wages of secondary labor, and the third time in the profit taken from selling to both classes at twice the cost—while the fourth division of money remains to be accounted for. This is only one of the riddles of the Sphinx in this complicated credit problem, but it is the most important one, as it is the foundation for all the others.

The money the bank supplies was earned by past labor, and when this money is exchanged for the cash that pays secondary labor and buys building material, it does double work. It increases the price to twice the cost in creating the profit money, and labor must work for the same money over again when it supplies goods to cancel this credit. This gives us the fourth unit of money by which the actual product of primary labor sells for four times its cost to pay the wages of secondary labor. This plan of taking all the capital from labor, and forcing half the total labor to support the other half may be successful for a very long time while a country is accumulating new wealth, and the system then wins general approval because many of the people become moderately rich from this gain, and are highly in favor of it. But a time comes when this inequality in distribution fails by the concentration of wealth to a few owners, and when wealth and capital can no longer keep secondary labor employed by charging it up in higher prices, and taking profits twice—once in the capital and another time in the goods market.

The natural law expects the primary product to thus sell at four times its cost, being in line with the general plan of distribution, but does not expect that no other money shall be able to get into use on this account and that the extra supply should be cut off because this primary sum may be forced to do all this buying. When goods sell for four times the cost it is the intention of nature to increase the supply of money by this advance in price and pay the primary laborers the whole sum goods sell for, and not load down this sale of goods with the wages of secondary labor and with the cost of capital.

If primary labor did get the benefit of its entire product selling at twice its cost, and had to pay this same advance for the one-fourth part it consumed, the gain would be with that labor on account of the greater proportion it sold than it had to buy. The higher the price the higher would be its wages, and the greater its surplus after it bought its own share. This is indeed a long way around in seeking an answer to the question in the beginning of this chapter, namely, how an advance in prices could increase wages? It comes from giving labor the benefit from the sale of its surplus at the same advance in price.

We now come to the other part of the same question, a new Sphinx riddle, for if primary labor is to be paid wages that will include selling three-fourths of its product at twice its cost, who will buy? Where will the money to buy come from? This is the money we are seeking to have you understand, the money nature would supply from the labor of the past, instead of limiting the money in the whole market to that earned by only half of present labor. It is plain that if primary labor has the load of wages of secondary labor lifted from its shoulders, if the wages of this class must come from their own product, then the sale of capital must in some way provide an additional quantity of secondary money to pay the wages of secondary labor at the rate established by primary labor receiving the full selling price of its own product. In this very intricate system, profit is expected to be relieved from the double duty of raising the price of goods and then using the same money to pay secondary labor for building capital, and not increase the rate of wages.

The profit taken from goods should be carried over to the capital market by having but one real duty to perform which is to measure the value of capital. Without this duty we could as well dispense with profits, and not risk the great losses we

have had in the distribution of wealth. The profit taken from goods becomes a rate of profit on the capital used to sell goods, to transport them or manufacture them, and this rate is intended to increase the price of capital so as to provide the same profit from the sale of capital that before had been taken from the sale of goods, and thus return to labor the money it advanced when it was forced to buy goods at prices above cost. The profit when it is carried over to the capital market cannot be cancelled by any higher prices, it is at the end of its journey, and is then expected to be taken up by higher wages. The demand for labor to build capital becomes so great as to include all this profit money from each market by an increase in the rate of wages. Capital can only secure this profit money by selling at twice its cost and can only obtain this selling price when it is built upon favorable locations giving it the advantage of selling or manufacturing in quantity on account of the density of consumers living in cities.

In justice to capital be it said that it never fails to pick out the best locations and would never fail to properly improve them did not the cost of land interfere, and we would then get full credit for a rate of profit double the rate of interest on money. But unfortunately the land owner at that location was ahead of capital, and demands and usually gets all this profit above cost as a price for land, holds the selling price of capital to cost, and holds wages to the cost of its product instead of allowing wages to advance to the selling price.

We go on improving a new country, increasing and accumulating wealth, in which labor gets no share, because the rise in price of land supplies the profit by which labor is employed in building. But when this rise in land value comes to an end in any community, all increase in wealth and progress comes to an end at the same time, and hard times and unemployed labor seem to be a natural condition because there is no demand for labor or capital and no demand for land at a price which yields no profit to capital or labor.

CHAPTER V

PAST LABOR MONEY

IF there is a happiness for the entire body politic, like the happiness of perfect health for the human body, it will be found in getting and collecting profit money, and if there be a bluebird for society that brings this happy profit money, and may be frightened away and carry profit away with it, that bluebird is called Credit.

While every one admits that business cannot be carried on without its required margin of profit, just as soon as business becomes slack and labor is unemployed this profit is attacked. If ninety per cent of labor is employed because it is profitable for some one to employ them, the other ten per cent are idle because this profit fails as far as they are concerned. The trouble is plainly in not having profit enough, but we legislate on the theory that idleness is a result of having too much profit when it is self-evident it results from having too little. Profits depend upon wages. They may only be collected by selling labor for more than it costs, and idle labor means that it cannot be sold for a profit, which means that employed labor is being paid too little to supply the required profit for the employment of the others. Each laborer should supply profits from his own wages, but as a rule we pay profits by increasing our debts, and when we can no longer increase debts there is a general failure of profits in all commercial lines.

What we should consider in legislation is the low wages of common labor that fail to carry the margin of profit upon which successful business must depend. The laws of nature demand that profits shall not stop at a point where they merely increase prices against labor for the things they buy,

but that wages must gain upon prices so that profits will represent a surplus in wages above the cost of living instead of allowing them to reduce the standard of living for the multitude of common laborers. Up to a certain point, profits taken from the sale of goods must become a loss in wages on account of an increase in prices which carries the cost of capital, and for this reason labor can only have this advance returned by the sale of capital at the same profit. Altho the laws of nature encourage the unequal distribution of wealth when it is being newly created, and postpones the payment of labor until capital can be sold and repay the profit taken from goods, the laws regulating the circulation of money do not fail in protecting labor and such failure is wholly a result of human law.

Labor is protected by compelling capital to locate and so build as to insure this profit, and by preventing this profit from being cancelled by any increase in price except a rise in wages, or by debts which will destroy capital for its owner.

The money to pay labor for capital can only arise after capital is earning an income, and is a different money from the cash that pays labor for goods, being past labor money on account of the time capital saves to the consumer of goods, and from time saved by the introduction of machinery. The difference between past labor money which represents time saved to present labor, and cash which represents time worked for by present labor is very important, for it holds one of the puzzling riddles of the Sphinx in the complicated circulation of money. Converting money, by which time has been saved by the accumulation of wealth, into cash earned by labor in producing goods may compel labor to part with all of its capital by compelling it to earn over again this money earned by past labor instead of getting it as an increase in wages. Cancelling bank checks with cash may work in just the opposite way from which the natural laws intend it shall work, and up to this date, in the

history of commerce, it has always worked in this opposite way. Instead of labor getting this credit money as an advance in wages above the cost of living it has so increased the cost of living as to give all capital to the rich as unearned wealth.

The Magic Art of Finance

The magic art of making money from nothing, by which the rich come into power and which has been so difficult to understand, rests upon the fact that each dollar in cash, representing time worked by present labor, may support five dollars of credit representing time saved by past labor and labor may lose this time saved by being compelled to convert it into time worked for. If five dollars of time-saved money is not paid to labor as an increase in wages, no more of it can circulate than labor can redeem in buying goods at twice the cost, and the quantity of money is thus reduced to the very lowest sum on which the market can exist, and on which labor can exist.

The property owner and banker, however, has the use of this credit money, and can put it into circulation and increase prices of goods against labor, getting the benefit of all the capital labor may produce, thus concentrating wealth instead of having the same wealth distributed among the laboring classes. In protecting labor from this unequal power over money, by the property owner and banker, the laws of nature first demand that profits upon goods shall also become profits upon capital, making them a medium between the two circulations of time-earned-money and time-saved-money. The over-control of this time-saved money is secured in two ways. The first check upon the power of capital compels it to locate upon a very limited portion of the earth's surface which is confined principally to cities, while the production of goods may spread over the land and water surface of the whole globe. The second check is to force profits of capital to depend upon the time a given location saves to the consumer in buying goods, which prevents

such profit from being taken from the advance in price of goods, the advance being compelled to carry the expense of doing business. You will ask how is it possible for profits to arise from anything but a difference between cost and selling price, and if expenses in business may defeat this profit, why was the difference in price introduced? The difference between cost and selling price was introduced to supply the money by which the laborers, not producing the goods they consume, should be able to buy them, and to have goods carry the money by which they are consumed. In selling goods at a thousand different locations in a city it will be found that each location has a limit in the number of consumers it may serve, goods selling at the same standard price at every location—all differences in buildings, in profits and rents come from differences between gross sales and expenses.

By following the money taken to a store it will be discovered that this money passes through a bank before it again returns to consumers to keep up the constant stream of buying. In thus passing through a bank the money leaves a record on the books of the bank of the difference between gross sales and gross expense of doing business, and if the record is in favor of the business it will show a profit; if not, it will show a loss of capital. This profit money does not arise until after the goods have been consumed, and is plainly not a part of the value of the goods, but creates a new claim upon the capital invested in the stock of goods or invested in the building. Manifestly no profit could return from consumers unless the owner had made a wise investment, had selected the right location, and had improved it with the right kind of a building. Hence the protection to labor will appear to depend upon the foresight and wisdom of the owner of private property. Apparently this is the case, but in reality nature never makes the mistake of depending upon the human wisdom of a property owner when it has surer ground in his greed, for unless he makes a wise choice he will lose his own money. Nature goes a step farther in

depending upon the greed of the property owner in protecting labor by improving favorable, natural locations. It will not allow labor to get a return of its money advanced to build capital until after the owner has first secured his cost of capital, and has a profit on this cost. Labor must be paid from this profit money.

When property is so located and built that it may have its money returned and get the prevailing rate of interest in addition, then, and only then, may labor secure its advance in wages. It can get nothing from the return of the principal. If six per cent is the general rate of interest, this rate, at the end of fifteen years, when the property is supposed to be consumed, will have paid twice the money, the interest having piled up a sum to equal the principal. This interest, be it understood, is being paid all the time upon all the wealth accumulated from the past, and consumes all the profit taken from goods. This profit money then represents the capital that is being produced each year because the price of goods above cost is but another name for the cost of capital produced at the same time, as the two sums must balance. This is to say that if the owner of property is to get his principal in money and his interest at six per cent the total income from all property must be twice the money paid out as cost of capital each year. All property produced each year must therefore sell for twice its cost if the owner is to get both his principal and the regular rate of interest on the total wealth. The wages of labor must increase from profit arising when the capital produced each year sells for twice its labor cost. This profit piles up as an increase in money that has no other outlet than to increase the demand for labor, or would not if the demand for land did not come in at this point.

Capital will not be produced unless the owner can get his money returned and the regular rate of interest beside, and, therefore, it will not be produced unless it can sell at a profit above cost. But as land must be paid for and as the price of land can advance to take up all this gain in the price of capital,

we soon come to an end of the production of capital by a rise in cost of land destroying all profit in it, and preventing the rise in wages by which new capital may collect the rents it must have to sustain it. If capital had no cost of land to pay there would be no other limit to the demand for labor than the ability of labor to supply the market with the things money would buy, for then all profit must increase the demand for labor as being the only road by which profit may be secured, the advance in price of land having been taken from the market.

We may now be able to see that the introduction of profit money up to a certain point increases the prices of goods, and instead of this profit continuing and being carried over to the capital market where it could no longer increase prices but must increase wages, we see it taken by an increase in the price of land. Up to the point where credit money takes profit from goods all financial writers agree as to the function of credit money—to a point where it is a total loss to labor, and where it must be earned twice,—once in creating a profit in buying goods, and again in cancelling the profit by building capital for its owners. These financial writers never follow credit beyond this point, thinking its use ends when labor cancels it by earning it twice over. This is but its beginning, laying the foundation for an increase in wages by the credit being carried over to the capital market in capital selling at the same level as goods.

The next step will be to consider this extension of credit over into the capital market which depends upon the elasticity of the currency. It is the duty of credit money to increase the quantity of money acting as cash by paying higher wages, and put five dollars of credit money in the wage fund for each dollar of cash it contains. The fog, in which the mind is enveloped, concerning the money paid in wages arises from a failure of the imagination to conceive of another quantity of money not now in general use, but waiting in banks to be called into use by which we will solve all our social problems by paying much higher wages and profits.

While it is generally admitted that the unjust distribution of wealth represents the failure of government to secure the rights of labor in this wealth, it never seems to enter the mind of the reformer that a just distribution of this wealth can increase present wages, and that we can pay labor an increase in money derived from this wealth. All theories dealing with social distress seem to expect the impossible, to accomplish results without making any change of importance in prevailing conditions, to merely rearrange the present wage fund and present profits, leaving general conditions practically the same as before. Each theory of reform is based upon some rearrangement of the present supply of money paid in wages and profits, upon the present income, and not one contemplates increasing that income by tens of billions of dollars every year and adding thirteen billion or more dollars of idle credit to the wage circulation. Each theory holds that profits must be deducted from wages instead of discovering the truth that the increase in wages depends upon a previous increase in profits, that profits cannot be collected unless they are paid in wages, and they must first increase from an increase in credit money.

No one seems to observe the present value of land having any influence on the circulation of money, altho land commands a money value of sixty billion dollars, and while every other price is supposed to influence wages, the price of land, which causes all the labor troubles, entirely escapes observation. No one considers the self-evident truth that if land could not be sold, the entire demand that money creates would become a demand for labor, and every dollar of profits taken from labor must then return as an increased demand for the same labor, that wages must rise on this account until they include all collections of profit money, and until labor may buy back its total product at its market price of twice the cost.

CHAPTER VI

THE ELASTICITY OF THE CURRENCY

NATURE has an intricate process by which it keeps the quantity of money on an equality with the increase in value of accumulated wealth so that such wealth may exchange for money. The elasticity of the currency, supplying wealth with money, is based upon the value of that wealth, a value that is a measure of the time labor worked to produce it and the time labor now saves by having it on hand. Elasticity, for this reason, depends upon a separate circulation of money differing from the money paid to present labor for the goods it sends to market.

Elasticity depends upon being able to convert this separate money into the cash, and to increase the quantity of money acting as cash without increasing the supply of cash and without increasing the prices of goods. To have five times as much of this money as of cash. We have made many attempts in the past to secure this elasticity in money which would buy property without interfering with prices of goods, and thus avoid the constantly increasing danger that comes from debts.

All such attempts to make the currency elastic fail because the value of land is included in the things money is expected to buy, and as there is no labor cost for land by which its value may be limited the same as values of goods or property is limited, the value of land will rise faster than money can be increased to buy it; and by so doing it destroys the benefit of the increase in money as it before destroyed the benefit from the supply on hand.

The elasticity in the currency comes from a gain in the

selling price of wealth above its cost on account of its location. The profit in selling wealth is expected to supply the quantity and elasticity of money, but the value of land advances as fast as capital improves locations and destroys the profit upon which elasticity depends. All former attempts to supply an elastic currency were limited to an inflation of the primary or coined money of a country, and as the function of this money is limited to prices of consumable goods, and as it cannot increase in quantity without such increase being balanced by a corresponding rise in commodity prices, all attempts to supply a money for property failed. The reason credit money must supply the elasticity of the currency arises from the fact that it is based upon wealth inherited from the past, and in order to limit its functions to the value of this wealth it has a different law by which it circulates.

The first important difference between the functions of cash and credit will be found in the different fields to which they are each limited, cash having a world-wide field on account of its universal commodity value, and credit having a very limited local field, being issued from a local bank and returning to that bank to maintain its value on a cash basis. A good illustration of this difference in fields of circulation, and of the greatly increased quantity of credit in its local field, will be found in the local street traffic in a city representing the local movement of credit when compared with the steam travel from the city as representing the movement of cash. The next important point of difference between cash and credit is the permanent quantity of cash compared with the ephemeral quantity of credit which is being issued and cancelled daily by the use of bank checks. We cannot diminish this permanent stock of cash by investing it, nor impair its usefulness by the increase of debts. It is proof against the fool-killer, but it is not so with credit, which may be invested and retired from circulation. Being cancelled in such enormous quantity every day, it may fail to come back the next day, and over night inflict the commercial world with a

serious crisis like a stroke of lightning from a clear sky. The next important point of difference is the method by which they each circulate. In any exchange of goods for cash the goods are taken from the market and are consumed, while cash moves to fill up this vacuum in goods by maintaining a permanent reservoir of value which it communicates to new goods coming to market. But with credit this process is exactly reversed, and in order to create a vacuum by which it may circulate when property is not consumed, the money itself must be consumed and be reproduced. When a building is being built the surplus money to pay for it is in the form of a bank deposit and as this money is being converted into cash to pay for labor and material, it is being consumed while its value is being converted into the permanent value of a building, and if this money is to be reproduced it must do so by the building selling for a profit equal to its cost. When we thus cancel credit in building and charge it up to labor in buying goods, and fail to reproduce this credit by the sale of the property at the required margin of profit, we thereby destroy the elasticity of the currency and have no more money in actual circulation than the quantity of cash. The credit used is merely a substitute for this cash.

We are misled into believing that we have a great credit in circulation by the enormous value of the transactions in the commercial market on a credit basis, which pays ninety per cent of all commodity claims, but this credit is not in actual use as money. It merely holds certain accounts in short suspense while goods pass from one middle man to another. A car of wheat, for example, in passing from the field where it is produced into bread when it is consumed, will be bought and sold many times before the final settlement has been made by the bread consumers. At each such exchange the value of the car of wheat is recorded by the bank clearings, but the actual credit involved in this transaction is limited to the profit finally paid by the consumer of bread which was converted into wages before it is paid by the consumer of bread, and there is a very

narrow limit to the quantity of credit which may thus originate from the sale of commodities. The profit from the sale of goods is limited by the wages of surplus labor. The absolute limit in this profit is half the total wages, and it is upon this absolute limit in primary credit that banking is founded because it becomes a substitute for cash and allows that cash to become bank reserves. A good illustration of the failure in limiting credit to the commercial market, where every dollar of it must be cancelled by a dollar of cash, may be found in the history of the circulation of cash money in the United States.

Going backward to the year 1880—the exact date is not important, nor is the exact quantity important—we find, from the comptroller's reports, that the quantity of cash in circulation was one billion dollars in round numbers. Having no elasticity, by which we could draw upon any other volume of money, this limit in quantity of cash set the absolute limit to the quantity of business for that year by the fact that we had to use this billion of dollars over and over again and could not get it to use any faster than we could pay it to labor and collect it from labor by the sale of goods, which was six times a year, or once every sixty days. This limit in the annual retail business of six billion dollars for the year 1880 determined the limit in profit at half this total or three billion dollars. This profit had to pay all interest and dividends upon the total wealth, and it thereby governed the value of that wealth.

If we suppose the average rate of interest to have been between six and seven per cent we arrive at the total wealth by multiplying the total profit of three billion dollars by this rate and get a total of fifteen times three billion or forty five billion dollars total wealth—statistics for that year give this wealth at forty four billion.

This is the place to call your attention to the fact that in dealing with money, prices and wages as the elements in the science of value, we deal in numbers and have a science based upon mathematics the same as astronomy. The circulation of

cash is as certainly regulated by natural law as the daily turnover of the earth on its axis, while the circulation of credit compares with the annual revolution of the earth around the sun.

We come now to the failure of elasticity being in a measure relieved by the accidental inflation of this billion dollars in primary cash, the rise in value of land destroying all profit in the capital market, holding business to this fixed basis with the certainty that had not the currency been increased the increase in population and the increase in production from new lands must be followed by violent falls in wages and prices and by a revolution in government.

From the year 1880 to the year 1893 the quantity of primary money increased by six hundred million dollars, and business correspondingly increased in the same period, that is, six hundred million dollars multiplied by six times its circulation gives us the gain in annual trade, and half this gain in trade the gain in profit, and fifteen times this profit was the gain in wealth. Thus the annual business in 1893 according to this calculation was nine billion six hundred million, the profit half this sum of four billion eight hundred million, and the total wealth fifteen times this profit, or seventy two billion dollars. Statistics three years earlier give the wealth at sixty five billion. During this inflation of the primary money from 1880 to 1893, of six hundred million dollars there was no general increase in commodity prices, the increase in total production, and the influx of labor absorbed the increase in money at average wages and prices. During this period the increase in wealth of twenty four billion dollars allowed an increase in land value of half this sum, by taking profits belonging to capital and upon which the elasticity of the currency depended, and as the price of land destroyed the profit the stringency became as acute in 1893 as in 1880.

From 1893 to 1897 there was no material gain and business began to feel the strangle of an inflexible system, the increase of laborers could only be employed by a decline in wages and prices, but in spite of such declines the number of unemployed increased during this entire period and prices fell to the lowest point in our history. During this period all profit in building having been destroyed by the rise in value of land, which culminated in the panic of that year, building came to a virtual standstill because no new debts could be made unless old ones were liquidated by bankruptcy, this being the only money released for building.

Following 1897 and continuing until 1913, a period of sixteen years, with two important exceptions, 1903 and 1907, which were panic years, the currency failing to increase, the whole period was remarkable for doubling the entire supply of money, adding as much in sixteen years as had before accumulated during the history of the country. This was the period of our greatest expansion in wealth and population, and credit is taken for it by a political party, and by various laws of one kind and another that had nothing to do with it. The whole cause lay in the abnormal inflation.

This increase was so great that in spite of the greatest immigration in history, the production of commodities could not keep pace with the gain in money, wages and prices advanced twenty per cent for wages and forty per cent for prices, as would be the rule in such cases—prices twice as much as wages. This inflation of sixteen hundred million dollars meant doubling the annual business of more than nine billion to about twenty, or six times the volume of thirty two hundred million of money, an increase in wealth of seventy two billion dollars—as much in sixteen years as in the whole previous history of the country. This increase in wealth was partly speculative because production could not keep pace with the inflation of money, and the total may have been less than the one hundred and forty four billion, a calculation based upon the quantity of money. The value of land again advanced to take up half the increase in wealth and to again destroy all profit in building and bring the country to its knees in the present period of hard times.

To remedy this uncontrolled inflation of the primary money we have enacted the Federal Reserve system of banking, but this is not designed to bring that elasticity the natural law demands, but rather to prevent undue expansion of both cash and credit in the commercial market, and so far in 1915 it has succeeded only in contracting the primary money and in making hard times worse than they were before.

If the reader has any doubt concerning the accuracy of the monetary statistics here used he may consult any reports of the currency and verify the statements. Tables are not given because they annoy the general reader and the student will be able to easily ascertain the truth.

The question must be, What of the future? We are in the peculiar position of being damned if we do inflate the currency by a rise in value of land, and damned if we don't by the failures, in every line of business, by losses of employment, of profits and of wealth.

The answer is that the whole world, in consequence of the times, and the war answering the times, must face the riddle of the Sphinx in what is known as the labor question, the money or debt question, and must finally solve this world-old riddle or see its civilization destroyed. The solution is self-evident—the abolition of debt by instituting a cash market for all capital securities.

Since the increase in value of land is responsible for all our money troubles, our labor troubles, and the unjust distribution of wealth, we next take up this most important of problems.

CHAPTER VII

THE VALUE OF LAND

HENRY GEORGE made a very great discovery when he found that the rise in value of land was responsible for the persistence of poverty amid the greatest plenty ever provided for mankind in a sparse population with superabundant land.

He again made the land question a burning issue by calling attention to the value of land apart from the land itself, and demonstrated that no possible allotments of land, to small proprietors, could remedy the evil of property in it. The value of land was responsible, he said, and the more the land was divided among small proprietors the greater would become its value, and the harm from such property would increase instead of offering relief.

He saw in California that wages for common labor were high before wealth developed, and he reasoned that every increase in wealth, from the fertility of the soil, from buildings and improvements of every kind, from trade and transportation, from invention and discovery, from education and government, from morals and religion, should increase wages. But the wages of common labor remained stationary or declined, while the wealth of California advanced far beyond his dreams or his imagination. He discovered the advance, which he supposed would increase wages, to have actually increased the selling price of land, increased the cost of land to every one who sought to improve it.

This rise in value of land was an effect of other causes behind it, which held wages to the minimum level at about the cost of subsistence, while the value of land increased to take up

all the gains from progress, whether these gains were in population, in education, in better government, in railroads, in shipping, in towns or cities, or in improved farms.

In seeking a cause for this rise of land value Henry George quitted the world of facts in which he made his great discovery and sought an explanation in the world of books and theory, and there found an explanation ready made which seemed to supply his want, known as Ricardo's "law of rent." This law of rent is said to be a law to account for payments to the landlord for the use of land, but is, in fact, a law seeking to account for the low wages of labor and to replace other explanations of low wages that did not fit the facts.

According to Ricardo—in a great field having ten different areas of fertility, an acre of the poorest land in use will produce five bushels of wheat, and this yield will advance with the fertility of the soil until other acres will give a maximum yield of forty bushels. Ricardo's law then asserts that all this wheat, above the minimum yield of five bushels per acre, is due to the fertility of the soil and not to the activity of labor, that the claim of labor is limited by what it may produce on the poorest land in use and without any assistance from the bounty of nature.

Notice how impudent is this claim. The landlord appears first and takes everything from labor because labor must live and has no right to any of its product which belongs to the landlord who pays labor from the total it produces the least labor will consent to work for. Instead of assuming the landlord is a natural institution, like the land itself, suppose we assume he would not be there unless he had the armed power of the government to enforce his claim upon labor. Suppose you then have the field with ten different fertilities of soil and the laborers who produce wheat. Will they divide this wheat as though the fertility of the soil gave all but the minimum yield to a landlord, or will they consider the whole product to be the wages of all the laborers and divide the whole yield among the total number who

engage to produce it on the theory that each laborer is entitled to an equal share because he performed an equal amount of the total labor?

The purpose of the Ricardo law in thus separating the productivity of nature from labor was to give a valid title to the product taken from labor that otherwise was a plain robbery. This theory gave to the men who were rich a valid title to their wealth, and labor was supposed to have no defense against a title given by a natural law making soil fertility benefit the rich as a class.

This claim of natural law, for rent, is so absurd that the wonder grows how it could have had the wide support it everywhere enjoys. It merely reasons around a vicious circle beginning with a landlord as an accepted and natural condition, that must not be questioned, and taking conditions landlordism imposes, it proves they are right because the landlord imposes them.

A natural law giving rent to a landlord would not call for the armed support of the government to enforce it which landlords must have and have had from the beginning of history. Payments, under natural law, are voluntarily made, as we make them every day in buying goods or building houses, but no man ever voluntarily paid for the land he wanted to improve. According to this assumed natural law the Lord created the landlord before he created the earth and then made the earth to fill the specifications supplied by the landlords, giving all its powers of production to them, and only the sterile land, the land the landlords would not take, was to go to labor.

Nature does not give its productive power to any who will not labor, not even to capital. Labor alone has a claim upon its product, and no one may take a penny of it without giving the value of a penny in return according to natural law. But Henry George, following Mills' theory, extended this law of rent to cities, where capital accumulates, and where the whole consumable product goes plainly to the consumer. In cities

the value of land was said to be something else than what Ricardo claimed it to be, namely, Ricardo rent capitalized,—not taking anything from the present product of labor but always taking the future product in advance.

If the sum taken by a landlord for the use of ground is one thousand dollars a year the ground will sell for twenty thousand dollars. It is said to sell for twenty years' future rent. While it is physically impossible to take something in the present that can only come into existence during twenty future years, let us ask what sets this limit at twenty years when ground rent in London has been collected from the same leasehold for a thousand years?

There need be no mistake made in this matter of capitalized value. Twenty years is the time taken to return the money advanced by labor to build capital and paid for in goods at twice the cost, the landlord takes the increase, belonging to capital above the rate of interest, and will not allow capital to get anything but its cost returned in twenty years, and this is why the cost of land becomes so destructive. Notice what Henry George abandoned when accepting this theory of unearned increment, calling the value of land its future rent. He claimed that the whole value of land represented something that was intended to increase wages as wealth increased, but by this change it is only the interest on this value and not the principal that is in question.

But the difference does not end there. This interest does not even belong to labor according to this version of capitalized rent. It is said to belong to society and to provide a natural system of taxation, and humanity is to be reformed by lifting it bodily in its boot straps by making everybody satisfied from a change in taxation. Society has no right to take a dollar from labor in taxation, or otherwise, without giving a dollar of service in return and to make society the landlord does not in any way reduce the evils of the system.

When it is asserted that rent represents a return of money

advanced by labor in building, it will be held that a city contains very valuable lots upon which no buildings have been erected, but surely no one will claim that such vacant lots are collecting any rent by natural law, or any other law. The longer the vacant lot is without its building, the more the owner loses on that account.

A million dollar lot represents the demand for a million dollar building on account of its city location, and this building is expected to have an income on two million dollars, to sell at twice its cost, and the land value is either half of a completed building, or half of an expected building. When a builder appears who would improve a million dollar lot with a million dollar building the quantity of money in circulation cannot supply both the value of the building and of the lot, but the building must have its money to pay labor and the value of the lot can be satisfied with only the interest on the investment. The result is that the builder gives to the landowner a claim on the new building which equals half its selling price. He gives the owner a half interest in the building he creates for the privilege of building at a place where he will get his money back with interest. What actually happens when a man must buy a lot on which to build is that he has the money to pay for building but no money to buy land, as nature refuses to provide money for this purpose, he gives up his money to the landlord for the land, and then borrows his own money from the landlord to erect the building.

If landowners could not profit from a rise in value of land, and could not thus borrow and create debts on the value of land, they would have to build or lose the value of land, and as all profit would then be confined to lines of buildings, the present absurd land lines separating individual owners would soon disappear. In a city like New York, for example, unable to mortgage land, because its value can not be insured, the demand for buildings would come from the high rents and dense population in congested districts where a great increase

in rent would enable modern buildings to be erected for the laboring population whose wages would have greatly increased. In such case the contemptible land lines that now divide a block with sixteen or more miserable shacks would disappear, for the new building, to be successful, must occupy the entire block and the interests of the present owners would compel them to combine their holdings into the new building. In such case the city could and would control the size and architecture of all buildings by being able to finance them in a cash market, taking charge of the issue and sale of securities. As each building would have an income to cover twice its cost, and as each would be self-supporting and return the cost from its income, there would be no limit to financing new construction but the limit of labor and material to do the work. But let us give Henry George full credit for his great discovery and not find fault with his mistake in accepting Ricardo's law of rent. The mistake was human and could not well have been avoided at that time, 1880, for much advance has been made since then.

CHAPTER VIII

COMPETITION

THE false theory of Malthus, that low wages was a result of more people trying to gain a living on the surface of the earth than the earth could supply with food, and the false theory of Ricardo that the competition of the people for land on which to live in the thickly settled parts of the earth was responsible for low wages, have given us a popular but equally false theory of competition.

The development of capital and the accumulation of wealth relieves the civilized world from any necessity for that form of competition which reduces wages, and by which some are wholly idle because there is not work for all. We always consume goods as fast as we produce them no matter how great may be the quantity and variety added by machinery. We have never more than thirty days' supply on hand, and a manufacturing nation has less in store than an agricultural people. But we do not consume capital nearly as fast as we produce it, and the money value of capital opens up the stores of the whole world to a people who have accumulated great wealth, and this has made famine all but impossible with a well regulated financial system.

Civilization is an organized protest on the part of Nature against the struggle of the fittest to survive, by which the highest animal type was evolved. The body politic creates an environment in which there shall be no unfit, an environment into which the savage has been driven to escape the struggle for an animal existence. The body politic has for its main purpose the welfare of the weak, the physically weak, to make men intellectually and morally strong. Civilization develops to secure that immortality of the soul for the individual man which

the animal struggle for existence failed wholly to take into account.

Competition in the markets of the world is of two kinds, as Herbert Spencer has shown: Positive competition between things which are alike, and by which some of the forces competing and some of the things are destroyed. A fall in the price of cotton, for example, below its standard of twice its cost on account of competing cotton, is a destruction of some of the cotton; to have us understand, we wasted the labor in producing it when a greater crop will sell for less money than a small crop. Not only do we thus lose the cotton, but, as has been before described, we lose the money the higher price of cotton would have spent in making improvements by employing secondary labor, and we lose this money as often as it would have turned over in a year.

Relative competition, on the other hand, comes in with the accumulation of wealth to supplant destruction from an over-production of only a few staple crops. Relative competition regulates one price by the relation it bears to all others when its consumption is great, and a slight change in price will drive consumers to buy something else. It is this relative competition we seek to destroy by legislation in favor of the positive kind which we have long since outgrown. We seek to destroy what we call monopoly, which seeks to establish the natural standard level of prices. Nature is rewarding men who succeed in holding prices to this high level with riches beyond the dreams of avarice.

The unequal wealth we think comes from monopoly really comes from positive competition, forcing wages to a low competitive level, allowing labor to be bought at a low level, while its products are sold at the high level of monopoly, or relative competition. If we had a monopoly level for all prices this difference by which great wealth unjustly accumulates would be destroyed, and wages would rise to the same plane as that at which its products were being sold. The idea that competition

among laborers must hold wages down and cannot be avoided, comes from the idea that land is so limited in productive centers that the struggle for existence is but a competition to share in land among more people than we can find room for.

It is claimed, for example, that the crowded condition of great cities, and the poverty in such over-crowded sections, denotes an intense competition for the land on which to exist, that people are driven from the country, where land is plentiful, by the landowners and coming to the city herd like cattle and depend upon public charity.

Take the most thickly populated section on this earth, the East side in the city of New York, and at no point in this congested district is the population as crowded as it is on the ground occupied by the McAlpin hotel in that city with its fourteen hundred guest rooms on twenty two floors. The poor on the East side in New York could be as well provided for as are the guests at this great hotel had they the money to pay, and they would have the money to pay for splendid accommodations on the East side did they receive the wages the laws of nature now provide for them.

CHAPTER IX

INCOME

THE land where income is enjoyed is the fairy land of humanity, the land of perpetual sunshine, of feasting and music where pleasures of kings, queens and the nobility are supposed to fill the happy hours and where there is none of the responsibility of labor.

This land of income is the land of romance and mystery, celebrated in story and song, where magic money flows from nowhere at all and showers its Aladdin gifts upon a small and favored class who claim to be the elect on earth and the favored of God in Heaven. This land of fairies and fables needs to be explored, and the cold light from truth turned upon its gilded magnificence, turned to the facts of the outside world and expose this unjust distribution of wealth which fills it with misery and despair.

We are confused about income on account of the great accumulations of wealth to a few families by which they live in great splendor without exhausting any of their wealth but keep adding to it. If wealth had been as widely distributed as the laws of nature would have it, and as the correct circulation of money would compel it, this confusion would never have arisen, altho we might have had a considerable class of moderately rich people. If wealth was properly distributed we would discover that no one was living upon the income it provided, but was living by the change in the wealth itself to new owners each year, that income must be spent to keep wealth in repair.

A man who works and invests his surplus until he is ready to retire at an age of fifty or sixty years, must live out his life by exchanging his past labor with present labor for the things he

must consume in exchange for wealth that is not so consumed. A man cannot be expected to accumulate a house full of meals and clothing to be consumed during his old age. He must save something that is not so rapidly consumed, but which will be of equal value to the things daily consumed.

A man cannot as a rule save money and store it. This hoarding of money will so reduce the supply as to prevent the very surplus upon which he must depend. Nor can a man save credit by having a bank keep his money, for unless a bank can loan his credit, which means the bank buys property paying an income, it must charge the depositor the same interest it would otherwise collect from loans so as to meet its own expenses.

There are two ways by which money comes to its owner from property. One is in collecting an income and the other is by the sale of the property from a distribution of the total wealth. We will be paying income whether property is being naturally distributed or whether it is being unnaturally concentrated. The income is the constant return of money used in building new wealth, or in maintaining the wealth on hand, just as money from the sale of goods gives rise to a constant income to labor in wages, so money paid for building gives rise to its income in rents.

The most important human desire by which we secure an accumulation of wealth is the desire to make some future provision for the growing family before old age overtakes us, and to make some provision for the time when we will no longer work. We do not accumulate wealth from a desire of becoming millionaires as writers of fiction would have us believe. This ambition is making us a nation of snobs and scoundrels. If we could imagine wealth widely distributed so that the whole accumulation became surplus in the hands of the greatest number of families to protect them from want, we would then be aware of the fact that this wealth must be sold to make provision for old age, no one could depend upon its income, the ability to sell this wealth, rests upon the ability of labor to secure more

than a mere living because labor must become the buyer of it.

There must be a limit to the amount of wealth from the past which we can cash in every day in exchange for the things present labor must produce; a limit to spending money, that would otherwise have no limit if the tens of billions of dollars worth of wealth could exert its full power over present labor. We will find the answer to the speed with which past wealth can be converted into present money by the speed of creating that same wealth when it was being accumulated, or the speed by which it may be again accumulated as it is sold to new buyers.

A family making a new home on new lands, for example, will build a comfortable log house during six months of the year besides planting and harvesting its necessary crops, and if building was more profitable than the increase in farming operations it would devote all its spare time to such building. This one house, built in six months, would represent the power of its surplus labor after its living was assured, and as the house will last fifteen years before it need be replaced by a new one they could build houses for their neighbors, or build houses in a village until thirty had been built. When thirty houses had been added to the supply of wealth the first one would have to be rebuilt and this surplus labor would then find its limit by the wealth it could maintain. If, in the meantime, manufacturing had developed lumber, glass and other building material, the log houses would give way to houses of a better class, but the fact that we reach a limit in the accumulation of capital by using up all our surplus labor and material in maintaining a fixed supply can not be disputed.

Let us assume, for example, that the United States reaches this limit with two hundred billion dollars' worth of wealth, at which time the wealth consumed each year will just be balanced by the wealth produced, and our total becomes stationary or nearly so. There will then arise an average yearly renewal of this total, which will fix the rate of interest on money because it will represent the money spent each year to renew the total

compared with this total. Thus, if the rate of interest on money is six per cent, it means that about one-fifteenth of the total is being renewed each year, and the whole will be reproduced in about fifteen or sixteen years if we add nothing as gain.

Now it should be clear, when seeking buyers for the wealth, to obtain present money on which to live, that the limit to the power of wealth to cash in, and sell for its value in money will be the total wealth we reproduce each year. If the total is two hundred billion dollars and the rate of interest is six per cent, and the time at this rate is fifteen years, we can sell one-fifteenth of two hundred billion each year, or about seventeen billion dollars' worth. Notice that this wealth we can sell each year is the whole sum nature allows for total profit on all enterprises.

CHAPTER X

CAPITAL

THE credit for making capital a burning issue in the modern world belongs to Carl Marx, the founder of modern socialism, and is like the credit due to Henry George for bringing the value of land to public attention. Strange as it may appear each of the great leaders of modern thought was led into the same fatal mistake in believing the rights of labor were confined to the income from the value of land in one case, and to the income from the value of capital in the other case, each failing to see that labor had rights in the total value, and that income had little to do with the main issue.

While maintaining as a fact that wages lost the entire value of land Henry George abandoned this fact for the theory that only the income was lost and that society, and not labor, suffered by not taking this income in taxes that the loss of labor arose from the burden of indirect taxation. Marx saw equally clear that labor in some mysterious way suffered a loss of all the wealth it had created in the past, and lost the wealth it was continuously adding to this total, but in trying to locate this loss he confined it to the profit taken by capital from the goods labor supplied. This error arose in each case from a false premise holding that living labor was the cause of value, and all that living labor could lose was a part of its present product, not seeing that accumulated wealth should increase wages from the value of past labor. If the mistake made by Henry George could be set against the mistake made by Carl Marx, and if the truth each discovered could then be united, by cancelling the mistakes of each, the true solution would appear to both schools of thought.

Henry George sees a natural law in the payment of income, but fails to see that this payment is for capital and is a return of the money advanced by labor to build capital. Marx sees that profit belongs to capital but does not see that it is paid in consequence of a natural law for if he did he would not then propose to abolish profit. Marx's followers, abandoning the idea that they may set aside a law of nature, could unite with the followers of Henry George and discover that the value of land takes all the capital from labor as fast as it produces it. This land value does its damage because it destroys the very profit upon which higher wages must depend. The failure of both theories arises from a false premise, the writers not seeing the self-evident truth, that labor has its most important rights in the accumulation from the past; that the present wage rate should be enormously increased by the addition of money earned by the labor of the past which supplies us with wealth without that wealth being earned by present labor.

In modern complex distribution, depending upon capital and machinery, the title to any particular product of labor has been lost, and is mixed up with millions of dollars invested in machinery and buildings. This complexity of title is so great that God Himself will not undertake to unravel it, but introduces a system of natural laws constituting a science of value by which accounts are kept between labor and the value of its product. Of course socialists and other reformers believe they can tell God how this title is to be secured without the circulation of money, and how each laborer may get the exact thing he produces, but the laws of nature do not change on so slight a pretext.

The title of labor has been changed, from having a claim upon anything it may produce, to having a claim upon the value of everything offered for sale in the market at its market price. This is the point writers on labor subjects fail to appreciate.

There is a great difference between the claims of labor

upon capital and its claims upon goods, on account of the difference in time given such claims to be settled by the circulation of two distinct quantities of money, one money carrying the claims of labor upon goods and the other carrying the claims of labor upon capital. Labor loses its claim upon capital by being deprived of the money by which the value of capital is distributed, and not on account of any money being paid as income upon this capital.

The great cities of the world contain about one-half its total wealth, and a very large share of the wealth outside these cities depends upon the markets they create by the density of consumers within them. The growth of capital is limited to a very insignificant part of the earth's surface, while goods are being sent to city markets from all over the world. The growing demands from a progressive population, call for increasing quantities and varieties of goods which has a tendency to scatter the whole people over the entire surface of the earth seeking new objects to create new appetites in multitudes of buyers. But the necessity for distributing an ever increasing quantity makes it equally necessary that labor not engaged in sending commodities to market shall concentrate in cities where as much time and space may be saved in distributing goods as has been lost in scattering population all over the surface of the earth in producing goods.

No one doubts but labor has some kind of a claim upon the capital it creates, and upon the accumulation from the past, for to deny to labor a claim upon inherited wealth is to deny it any claim upon civilization in which it is compelled to live, for our civilization is based upon its accumulated wealth.

We may discover the claim of labor upon capital by first inquiring into the claim of capital upon labor, which no one denies, while many are uncertain about labor having an equal counter-claim against capital.

The claim of capital upon labor is that it supplies labor with its railroads, factories, machinery and all other forms of

fixed wealth which greatly increases the quantity of supplies and which it need not produce, having this capital as an inheritance from the past. Labor of course has the apparent power of escaping this claim of capital by being able to produce its own and not being required to use the capital from the past, but as this would take an enormous amount of labor from other pursuits it is much cheaper to pay this claim in dividends and in interest on money.

To get at this question by way of illustration let us take the new subways now building in the city of New York as an example of new capital being created, and discover the rights of both capital and labor in this instance. The money to pay for labor and material in building the subway is presumably obtained by issuing securities and selling them to the public for investment. Bonds really carry the cost, which are made payable in the distant future. But that these bonds or the money they supply pays this cost is only a presumption. The securities simply postpone a final settlement with labor to some future time. The actual labor and material is consumed every day and is settled for in a cash market every day, and some one must lose for the time being this advance of labor and capital which can only be restored in the future, and labor loses. The settlement for the cost of the subway each and every day is made in a cash market by labor in spending the wages paid for this construction, by this extra money so increasing the selling price of goods as to carry the cost of this subway in higher prices. The owner of the bonds supplied the money from bank deposits and, to get bank deposits into circulation, it is necessary to sell securities in this way. The claim of the security owner rests upon the fact that his credit in the bank was convertible into cash on demand, and he surrendered this demand on cash for a security, which was the correct way to bring about the required elasticity of the currency.

It is falsely presumed, however, that because the bonds are payable in a distant future that posterity in some way is

saddled with this cost for the benefit of the present generation. This false claim would not appear if we had the necessary money in use, making these securities payable on demand in a cash market.

There is no such thing as making the future pay for what is being consumed today. We cannot eat the eggs that are to be laid tomorrow. If we could make the future pay for the things we now buy we would not pay for anything but would saddle all property expenses on our great grand children. What we put off to the future is the claims of labor upon the whole subway which they must complete and pay for in higher prices of goods, and which they can only get the benefit of by selling it to themselves in the higher wages it brings, but only selling it as fast as it is being reproduced.

In spending tens of millions of dollars for the subway, that must all be completed before any of it can be used, and which will not be consumed until forty or more years, this accumulation of wealth for the benefit of the future is charged up to labor and paid for in cash every day, making an equal exchange between the laborers who produce the goods these builders consume, and an equal value of subway they produce.

Capital has its claim secured to it by law. It must get the interest on its money from the earnings, and it is supposed to have a market where it may sell its bonds when it wants the money instead of the interest upon it. But the claim of labor in some strange manner is never paid, the money labor has advanced, equally with the owner of the security, never increases its wages. The subway, newly built and put into operation, will be partly consumed each year, and will have this part restored each year. The money representing its income is supposed to equal the sum spent each year in restoring the entire system for that year. Where then will the money come from to pay for the new subway that is constantly replacing the old and will entirely replace its value in about fifteen years? Who will buy securities representing the replaced

subway, labor is building over again? The owner of a bank deposit will not surrender it for security unless he can get his money back and the rate of interest it calls for. If this rate is five per cent it means that in twenty years he gets two subways, or the value of two, and it also means that in the same time labor should have received a surplus in wages so it would be the buyer in the resale of securities by the time it was rebuilt. But how is this increase in wages to take place? If the owner of the security is to get twice his money back he must pay twice the cost of the subway in buying securities. There will be twice as many securities in value as the cost, and in buying at this profit he is expected to put as much money out as will pay the cost and its interest.

When labor has built and completed the subway it has made provision for twenty years in the future, and as it is only required to replace one-twentieth each year it has nineteen-twentieth to its credit. This credit is expected to take up the extra money spent in buying extra securities and keep it in constant use by paying higher wages. The increase in wages to labor, must come from some benefit from the subway, that not only pays its income, but the subway must make a demand for labor in building that will keep the labor market at a point where wages will include the claims it has upon the capital it has created. Beside the benefit of the subway from rapid transit, from the time it saves which should be turned into the money, it secures a great additional benefit by opening great spaces in outlying territory to be inclosed by thousands of new buildings. This building demand is expected to increase wages to include some of the subway money. In addition to the outlying districts the central parts of the city will also feel the new impetus to build because of the great increase in number of consumers, rapid transit will concentrate there. This outside building takes place and calls for new expenditures of millions, there being no doubt that the increase in rent will provide the new

building with the required income which will support twice the cost of each building.

The credit labor created in paying cash for building the subway will now appear as ready money by allowing the owners of land to rake off all this credit by an advance in land values. The money taken off as an advance in price of land provides the credit for new building which labor again cancels in buying goods at twice the cost, and is thus forced to earn this money the second time in the present cash market instead of getting credit for having once advanced the money in the subway.

But these buildings also create an additional credit for labor as they will not be consumed before fifteen years, and pile up a fourteen year surplus that should again advance wages, but the debts upon the land will then prevent this credit going to labor. Not having any credit in circulation to offset the securities outstanding for the subway, and wages having failed to advance on account of the advance in land value, the owner of the security is required to take bonds for half the total value because no money to pay cash for securities can come into circulation when the wage rate is held to its lowest level by the rise in value of land.

The great fact to attract most attention in the modern city is the building sky-line, the high and expensive buildings in the business districts diminishing in value and importance as the city spreads toward its outer boundaries. In this central district one narrow cliff-like building will rise in solitary grandeur out of a block surrounded by numbers of miserable decadent structures belonging to prehistoric times.

We should have no difficulty in realizing that the miserable land lines which maintain building abortions in all cities, should not be tolerated in a civilized community. In the main part of each great city, and in many other parts each block should contain but one building having light and air for both building and the surrounding streets. Each block should have upon it, the building the public needs and the building it is now paying rent

for on account of the location, but paying for disgraceful and decadent structures long since outgrown. Each block should have the great building that tipifies the great city and satisfies public demand for the space. It should have room for imposing approaches, and rise to imposing heights in terraced stories, instead of rising like cliffs from a desert of ruins. What law of capital development governs this sky-line that we should be willing to spend untold millions on some acres in a city and on other acres not far away spend only thousands, or only hundreds of dollars? Why is Manhattan Island so thickly populated and built upon while the lands across narrow rivers that appear to be as favorably located will not attract the same amount of capital, and in most cases will not be built upon altho the land may be had without cost?

Money will not be invested in building for the future unless the money will be returned in that future and the regular rate of interest being paid for the time of waiting on its return. Unless a building may be rented for as much each year as will return twice the cost of the building by the time it is consumed—this time is measured in the rate of interest—it will not be built unless a man makes a mistake in his judgment. This return of money from rent is governed by the rate of interest, every building being supposed to collect twice its cost by the time the rate of interest would double the principal. In this case the investment would be governed by the annual rent, and this annual rent would fix the value of the building at each location. Where the annual rent will return three thousand dollars a year the building would cost about ten times this sum and sell for twice its cost. If the annual rent was thirty thousand dollars a year a building would be built at that location costing about ten times this sum—three hundred thousand dollars—and sell for six hundred thousand.

If man must rebuild before fifteen years and if a new building returns no greater rent he loses on account of having a poor building, but if his building will last more than fifteen years he

gains from the better construction, and on account of this gain we will have more space in great buildings than the present demand because the future gain will be taken into consideration. If a man has an old building costing but ten thousand dollars and finds an increase in business will allow him to include much more space by a taller and better structure, he can afford to tear down a building at any time costing but ten thousand dollars and selling for twenty, and build a new one costing a hundred thousand and selling for two hundred thousand.

CHAPTER XI

BANKING

THE benefits to be derived from a cash market are not likely to encounter much opposition from the public which may easily understand what it will accomplish and how it will remedy existing evils without disturbing business conditions. The plan is so simple that a child almost can see the benefits to be derived from the greatly increased business done on a cash basis, and any business man need not think twice to realize the benefit to him of a market in which he can sell without loss and with certain profit for cash on demand. Altho the plan to secure a cash market is very simple, and altho the benefits of the plan are obvious, the underlying natural laws by which this circulation of cash and elasticity of credit is governed, are far from being simple, and so called experts will endeavor to confuse the issue on this account.

Introducing a new financial plan is like introducing a new traffic system in a city to replace the old horse cars, which contained many technical and engineering problems connected with electric traction, as well as difficult financing problems. The public had no real concern about technical questions, it only asked how much more comfortably it might travel, how much faster, and if the expense would be increased? We could never depend upon educating the public concerning technical problems of electricity or finance in a street railway system, and expect to vote upon it, and the same is true concerning a cash market. The public will only ask about its benefits and its expenses.

But we have a class of experts who sit in judgment on every new adventure of the public and they will want to be shown the

ground upon which a new system bases its claim of benefiting the great mass of laborers. We have also a great and powerful class who are being benefited by the prevailing injustice of distribution, who may be expected to oppose any plan by which their power for evil will be interfered with, altho in the end they may also benefit.

The chief opposition may come from the great banking institutions, and financial syndicates behind such banks, who have been the chief beneficiaries of the wrongs from which the whole people suffer. They possess a hold upon the liquid credit, and cash of the country, which they will not lightly relinquish.

A simple example will illustrate the cash market plan, and the connection it has with the banking system. The city of St. Paul, Minn., in June, 1913, found itself embarrassed for the need of about forty thousand dollars to meet city payrolls, and in need of more than a million dollars to pay for water works extension under contract. The bankers of that city said they could not supply any of this money at that time, as there was no market for municipal securities at the rate of interest the city was willing to pay. The city then decided to compete with banks on equal terms for money on deposit convertible into cash, and they proceeded to issue and sell city securities over the counter, as it is called, in small denominations to retail customers in place of wholesale to banks. There was nothing original about the plan to sell at retail as that had been tried many times with little success by other cities, but the city of St. Paul made a departure from the ordinary bond by making the issue, principal and interest, payable on demand without notice, and in this way gave the public better terms for its money on deposit than the banks could give. The bonds were in denominations as low as ten dollars at four per cent, and a man having ten dollars surplus could buy a certificate of credit on the city of St. Paul and use it the same as tho it was in cash. Its small income would allow it to circulate more freely than cash in that local field. The plan was a phenominal success and

more than three million dollars of the city debt was funded into these new certificates payable on demand giving the additional advantage of having that credit liquid, and allowing it to do the work of cash in that city.

The cash market is merely an extension of this St. Paul plan to cover all capital securities and all mortgages of the country, and it would be of the same advantage to each corporation as it was to the city of St. Paul in escaping the power of the banking interest, and escaping their control over the cash and credit of the country.

Testimony taken by Congress shows that practically all the best paying income property in the United States, its great railway systems, and its great combination of industries, have within a few years come under the ownership and control of great banks and the families of a few very rich who own and control these banks. This control over capital arises from the fact that capital must have a money market in which its securities may be sold as well as a market for the sale of its products among the people, and it is this financial market that theorists and writers on public questions seem wilfully to overlook.

A man invests in securities, to secure the benefit of the income, having no insistent need for his money, and counts it as a surplus, for which reason he puts it in a bank until it grows to a point where he invests it. The bank agrees to pay this deposit in money on demand hence it gets all the surplus credit that is not in immediate use. A man who fears he may need his money in the future wants it when he wants it, and the bank promises to pay him when he demands payment.

If capital is to be on equal terms with banks in seeking money to invest in its securities, and not be at the mercy of banks, it must also be able to say to the depositor that he may have his investment returned to him on demand, not only say it, but insure such payments by having the required reserve in the hands of a creditable trustee. This should make it clear

why capital has concentrated to banking control when their control over money enables them absolutely to dictate the terms upon which every investment as great as a million dollars must be made. On this account the banker has come to represent a double personality, a Dr. Jekyl and a Mr. Hyde. As a banker he is anxious to secure the greatest possible line of deposits upon which his power is based, and therefore encourages laws looking to that end, which make depositors confident that their money is safe in his keeping. But as a financier who is interested in unloading securities on the public from which he makes billions of dollars in profit his interest is just the opposite. In such case he has no desire to make capital secure, or to make the money safe after it leaves his bank. The more the depositor loses the greater he appears to become in their eyes as a banker. The law protects the depositors' money when it is in the bank, but the moment that same deposit leaves the bank and enters the treasury of any corporation it has no protection from law, but is exposed to all the bandits and looters of the country who may take it by raiding the securities of capital in the markets the banks control. The cash market will deprive the banks of all this power over money. The depositor may invest his own money and be sure it is as well invested as any bank could do for him.

We must remember, in this connection, that the banker and financier has been given thirteen billion dollars of idle bank deposits to play with in his game of high finance; that he controls this money, not once, but as many times as he can use it in creating bond and mortgage debts upon real estate, and when it is all tied up in debts that cannot be paid we come to the edge of the precipice of ruin in our business. This thirteen billion of idle bank deposits, the cash market would set into active circulation as higher wages, turning over as often as labor could receive and spend the money, and it would allow labor to buy the securities, billions of dollars' worth, that are now being juggled with by high finance.

CHAPTER XII

WAGES

WHEN a rise in wages is being discussed the fact will appear that the cost of living must advance on this account, and the false conclusion follows that all advance in wages must be lost by an equal advance in the prices of things labor buys in order to live. While it is true that a general advance in the wages of the laborers who produce goods must advance the cost of such goods, it is not true that total wages are included in this cost.

If no more money is paid to labor in wages than will buy its bare living then of course any increase in wages that must be spent in buying more of the same goods will advance the cost of living to exactly balance the gain in wages, but even in this case labor will gain fifty per cent because only half the total wages is included in cost of goods. But if wages advance far enough, and do not stop at the sum of money that will or must all be spent for a living, it will soon follow that for every dollar in wages there is a dollar of surplus above the cost of living.

We must remember that any increase in wages only requires half the money to be included in higher cost of goods, because only half the labor is so employed, half the product of this half of labor is material consumed by capital, so that only one-fourth of higher wages should be taken up in higher living cost. Hence it follows that if wages were to rise from the present minimum to the maximum and were to include all the money the whole product sells for, from capital sent to market each year as well as from goods, any rise in prices of goods the people consume could take no more than one-fourth of the increase in wages.

Every one admits, without argument, that the market price must be more than cost, goods will not be assembled in the market unless they will sell for a profit in money, no one seems to know just where this money profit comes from, nor seems to realize that it must come from wages, by being first included in wages; that profit is made in buying goods and selling them back to labor at more than labor was paid to produce them. If labor must become the only real buyer in a cash market, not only buying back the goods consumed in the living of the people, but must buy back capital as an investment for its surplus wages. If labor is to get all the money in wages that buys all its products in every market, how will any one get a profit? Must not every one become a laborer as the rich fear they may under a just system? Suppose we take everything we have to sell to a great market once a year where all the laborers of the country assemble with all the money they have received in wages for the same year. In this market will be found not only all manner of goods the people demand, but all the capital that has been produced the same year—houses, factories, office buildings, hotels, theaters, railways, electric appliances, machinery, improved streets, public buildings, Carnegie libraries and like capital. Suppose the total money received by all the laborers during the year buys all the things they have produced. The money paid to labor during the year we will suppose buys everything in this market at a profitable price. The wages of labor, which was not a part of the cost, making up the profit money, and when the year's business had been balanced the capitalist, manufacturer and merchant will find they have some billions of dollars of profit to their credit, altho all the goods had been sold back to labor. How can such things be? This sum of money left over makes it appear that there is more money in the buying market than there are things to be sold for that money, and if we could limit the buying market to the things produced in any year this would be true, but the market has no such limit.

At the beginning of any year there is on hand in the United States about one hundred and fifty billion dollars' worth of wealth accumulated from the past, and if no addition is made to this wealth during the year and if all the year's production is consumed; ten billion dollars of profit money may be gained in distributing the annual product. This means that ten billion of inherited wealth must be added to the total market and increase the total sales of that market by a change in the distribution of such wealth by which new owners for ten billion dollars' worth of it will be created.

When we remember that half the total number of laborers not only produce all the goods that all the people consume, but also produce all the material that goes into the construction of capital, it should be clear that the wages of this half would naturally consist of the money received from the sale of its own product; that the wages of the other half would as naturally consist of the money received from the sale of an equal value of capital in the same market.

Primary labor, which produces all the goods the people consume and all the material capital consumes, will not buy back for its own consumption but one-fourth of its own product. The whole mystery of the wage question will be found in this fact that one-half the total labor which produces all the consumable goods can only consume one-quarter of its own production, and the question arises: Shall the rate of wages paid to this labor consist only of the money received in the market for one-fourth of its product, or shall it receive the money as a surplus from the sale of the other three-fourths? If the rate of wages for primary labor is only one-fourth, measured in its own products, the other fourth would then be sold to secure money to pay the other half engaged in secondary occupations who produce none of the goods they consume and the remaining two-fourths consumed by capital would be sold to supply the money paying for capital at its cost. Secondary labor must be supplied with goods upon which to live and cannot be so supplied unless such goods advance in price so as to include

all the money labor spends for them, and for this reason the selling price becomes twice the cost.

Now coming back to the primary laborers, who produce all the goods, we discover they must buy the one-fourth they consume at twice the cost and will be paid a rate of wages which will allow this buying of one-fourth at twice the cost. This plan seems to be a robbery of this labor by a mere advance in price but if this same labor received the money for the other three-fourths, selling at the same advance, it would find its wages growing as prices advanced. This is to say, for example, if a certain unit of consumable goods cost two dollars in primary wages and sold for four dollars at twice this cost, and this labor need only use one-fourth, it need only spend one dollar of the two in the market, and have one dollar as surplus money. If the cost of this same unit of goods was then to double because wages had doubled, advancing to four dollars instead of two, and selling for eight dollars, the labor buying one-fourth of the eight dollar product would only spend two dollars out of four, and have two dollars in surplus money instead of one dollar, altho wages and prices had doubled.

Thus we may see that if labor gets the benefit nature has provided, if the rate of wages is determined by selling three-fourths of the surplus as well as by only buying one-fourth of it, then the higher prices rise the higher will the money surplus rise above the advance. When, therefore, we discuss a rise in prices that will accompany a rise in wages we must remember the natural law would give to labor a surplus in money from this very advance in price growing out of the fact that the surplus it sells to others is greater than the supply it buys for its own consumption. But labor cannot get this surplus unless something else is sold besides commodities to make up the total sum of money to be divided among the total number of laborers. It ought not take a great amount of light from a new lamp to make it clear that we have two very great classes of labor as soon as we accumulate wealth in cities

and divide the population between city and country. The producing class is the primary laborers, for without their product we would all starve. The distributing class is the secondary laborers, for unless they consumed the surplus, we would be little better than savages. It should be clear that the wages of each class should be derived from the money received from the sale of the product of each, primary labor having the total commodity market to its credit and secondary labor having the equal capital market to supply the money it should have at a rate the primary market fixes for all labor.

Minimum Wages

The first condition imposed upon the body politic, by laws of value, is that all the people must be provided with subsistence at any cost, and for this reason the rate of wages must first provide for the distribution of this primary product, so that surplus labor may secure the food and other supplies upon which its life depends and upon which its labor is based. This primary or minimum wage rate depends upon the fact that all laborers spend about the same amount of money on about the same character of supplies, and as there are two such laborers who buy goods for only one laborer producing goods this excess in demand sends the price to twice the cost.

Thus the sale of the goods, which is being consumed in the living of the people, may supply the only money they receive in wages, and all the material entering into the growth of capital and all value of labor in constructing capital may fail to supply a dollar to the wage fund. Thus we are forced to accept a minimum wage rate for labor long after the development of capital would have changed this rate to the maximum, and we proceed to pile up unearned wealth for the benefit of the rich as a class, thinking such a system is the only one in existence. We can increase this minimum by extending trade or by extending production from manufactured goods, but no matter how great may be the increase in quantity and variety of new goods, and

how much wages may advance from this source we can not continue in this line beyond the limit debt will establish. Then we discover something is radically wrong with our financial system because we have a falling rate of wages in place of an advancing rate with increasing numbers always out of work, while the capacity to supply the people has been multiplying.

The false theory concerning the rate of wages, which limits wages to the commodities the laborers directly consume, has given the world two distinct and equally false theories of trade and taxation. The theory of free trade was a theory of extending the minimum market, adding to the total supplies in this way, and by adding to the manufacturing of a country. The theory of protection was identically the same but proposed to aid the manufacturing of a country by excluding such manufactures as could be developed in the country itself. Each of these theories fail to assist labor for the reason that they only contemplate the minimum and neglect to take into consideration the penalties nature imposes on every nation refusing to allow the minimum to advance to the maximum as fast as wealth accumulates.

Each country soon discovers that they each seek to find markets in other countries they should have at home, and seek to sell practically the same classes of goods to each other on a scale of constantly descending prices with increasing difficulty in the labor markets of the world, making hard times worldwide which before were of a local character.

The method by which each nation is seeking trade among the other nations is in violation of the very laws upon which trade is based, for they seek to concentrate all foreign trade to the nations who can sell at the lowest price, while trade should equalize differences in natural resources over the world. Natural trade would increase wages and prices in all countries, and increase capital in all countries, the countries having natural advantages of climate, soil or mines would sell these products to other countries not so favored, and thus give them the same

advantage as tho the mines or favorable forests or soil was on their own land.

The difficulty in paying the maximum rate, and holding to the minimum comes from the fact that this minimum is paid by the primary quantity of money, and this money can pay no more than this rate, and when only this quantity of cash is allowed to circulate every employer is as helpless in his desire to advance wages as is the laborer. Unless credit money arising from profits in selling capital will advance wages as to include this profit it becomes impossible to get the money into use by which an advance in wages above the minimum can be paid. Out of every two dollars paid from the cash circulation in minimum wages one cash dollar must be used to cancel a dollar of credit by which capital is paid for in higher prices of goods, and labor gets the benefit of only one dollar out of every two in the cash circulation.

The maximum rate demands that for every two dollars paid in cash, two additional dollars shall be added in credit money to pay prices of goods above cost, and that all this money from the sale of all the goods shall then determine the rate of wages for only half the total labor. The other half not engaged in producing the goods it consumes becomes a charge upon the selling price of capital which must supply four dollars in wages from credit money to balance the four dollars supplied to the primary laborers from the sale of commodities. Instead of labor in general getting but two dollars in cash and having one of them used to cancel a dollar of credit for the benefit of capital, each laborer would then receive two dollars in cash and six dollars in credit and four dollars of this credit would be returned to capital as profit money, the other two dollars in credit money would become a surplus in wages by which labor buys back the capital, the two dollars in cash buying back all the goods in the market.

How is this much desired rise from the minimum to a maximum, four times as great, to be secured? The rise from the

minimum must depend upon capital being forced to assume the burden of paying for the labor which supplies capital to the market, and thus take from the minimum wage the burden it now carries, and allow primary labor to get the benefit from the sale of three times as much of its product as it consumes.

But capital cannot take up this burden of paying for its own labor unless it is supplied with the money to do so, and it cannot be supplied with this money unless the money is being created during the time capital is being created. Capital must sell for twice its cost and by this profit above cost create a quantity of money that will all become a demand for labor, none of it be cancelled by the cost of land. This increasing demand for labor from building must come by having land to build upon at no cost, not only land in cities but the lands in the territory sweeping away from the city that should have been improved by small farms which alone will supply the required capital to the country which will balance the capital in the city.

To have land without cost, and at the same time to be able to finance every building the public can pay rent for, by having a cash market, will quickly send wages to the maximum limit, and this being four times the present limit of ten dollars a week the increase of buildings to comfortably house forty million laborers getting four times the present wage rate will keep up the demand for labor indefinitely.

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